

Message Text

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ACTION ARA-20

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 IO-14

AGR-20 TAR-02 DRC-01 /222 W
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R 261245Z JAN 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 3839

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY PORT OF SPAIN

AMEMBASSY LONDON

C O N F I D E N T I A L KINGSTON 308

EO 11652: GDS

TAGS: ECON, JM

SUBJ: PRIME MINISTER'S JANUARY 23 SPEECH ON THE
ECONOMY - COMMENT

REF: KINGSTON 294

1. SUMMARY. THE PM'S SPEECH ENDED A WEEK OF TENSION IN JAMAICA. THE PROPOSALS IN THE SPEECH WERE HEAVILY INFLUENCED BY THE FACT THAT THE PMP IS FACING AN ELECTION AND ARE MOST PROBABLY INSUFFICIENT TO MEET THE SITUATION. THEY WERE, HOWEVER, WELL-RECEIVED IN THE BUSINESS COMMUNITY AND PRESS. IT IS HIGHLY LIKELY THAT MORE MEASURES WILL BE ANNOUNCED AT SOME TIME AFTER THE FEBRUARY 5 ELECTIONS. END SUMMARY.

2. THE PRIME MINISTER'S SPEECH, WHICH WAS ORIGINALLY SCHEDULED FOR JANUARY 15, BUT POSTPONED ON ACCOUNT OF
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HIS TRIP TO LONDON, WAS PRECEDED BY A WEEK OF RAMPANT

RUMORS IN KINGSTON, CULMINATING IN THE CLOSING OF THE FOREIGN EXCHANGE FACILITIES ON JANUARY 21. THE RUMORS INCLUDED THE CUTTING OFF OF ALL NON-BUSINESS TRAVEL, THE TOTAL BAN ON AUTO IMPORTS, A FAR MORE SEVERE IMPORT RESTRICTION LIST THAN THAT ANNOUNCED, AND MUCH MORE SEVERE CREDIT RESTRICTIONS. THE PRIME MINISTER, HIMSELF, TOOK GREAT PLEASURE IN PUNCTURING THE RUMORS, ESPECIALLY WITH HIS ANNOUNCEMENT THAT THERE WOULD BE NO TRAVEL BAN. HE WAS CRITICIZED BY THE DAILY NEWS, HOWEVER, FOR ALLOWING THE ANTICIPATION TO BUILD IN THE FIRST PLACE BY ANNOUNCING WELL IN ADVANCE THAT THE GOVERNMENT WOULD MAKE A MAJOR ECONOMIC SPEECH. GIVEN THE STATE OF NERVES, HE SIMPLY SCARED PEOPLE INTERESTED IN TRAVELLING OR PROCURING CERTAIN TYPES OF GOODS.

3. THAT THE ECONOMIC PACKAGE WAS NOT MORE SEVERE IS DUE MAINLY TO THE FACT THAT THE PNP FACES LOCAL ELECTIONS ON FEBRUARY 5 AND IT IS COUNTING HEAVILY ON IT TO RESULT IN A RENEWED MANDATE FOR THE MANLEY GOVERNMENT. NO MEASURE ANNOUNCED BY THE PRIME MINISTER WILL HAVE ANY SUBSTANTIAL EFFECT ON THE BULK OF THE ELECTORATE.

4. A LOCAL US BANKING SOURCE TOLD THE EMBASSY THAT ARTHUR BROWN, GOVERNOR OF THE BANK OF JAMAICA, HELD A LENGTHY MEETING WITH PRIVATE COMMERCIAL BANKERS JUST BEFORE THE PRIME MINISTER'S SPEECH. BROWN INDICATED THAT THE GOJ WAS COUNTING ON THE ANNOUNCED MEASURES TO RESULT IN A SAVING OF SOME \$80M OF JAMAICA'S RESERVES DURING 1974. (WHILE IT WAS NOT MADE CLEAR WHETHER THIS INCLUDED THE \$56M IN OVERSEAS ASSETS OF JAMAICANS DISCUSSED IN PARA 6 B REFTTEL, IT WOULD APPEAR TO BE PART OF THIS FIGURE.) BROWN INDICATED THAT WITH THE NEW CREDIT SQUEEZE, JAMAICA COULD COUNT ON THE RECEIPT OF A SECOND TRANCHE FROM THE IMF, WHICH TOGETHER WITH THE FOREIGN ASSETS AND IMPORTS CONTROLS WOULD AMOUNT TO SOMETHING APPROACHING THE \$80M TARGET. HE SAID THAT BROWN PROBABLY PREFERRED A DRAWDOWN ON THE IMF TRANCHE OVER COMMERCIAL BANK LOANS BECAUSE OF THE MORE FAVORABLE INTEREST RATES, EVEN THOUGH SUFFICIENT COMMERCIAL FUNDS WERE AVAILABLE. HE SAID THAT JAMAICA MAY ALSO

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NEGOTIATE A FURTHER COMMERCIAL LINE OF CREDIT ON A STANDBY BASIS.

5. THE PRIME MINISTER'S SPEECH WAS GENERALLY WELL-RECEIVED IN THE BUSINESS COMMUNITY WITH BOTH THE JAMAICA MANUFACTURER'S ASSOCIATION AND THE CHAMBER OF COMMERCE LEADERSHIP EXPRESSING APPROVAL. THE PRESS WAS ALSO UNANIMOUS IN VOICING APPROVAL WITH THE SOLE

EXCEPTION OF THE DAILY NEWS WHICH CRITICIZED THE PRIME MINISTER FOR ALLOWING THE ANITICPATION TO BUILD UP TO SUCH A HEIGHT BEFORE HIS SPEECH

6. WHILE THE MEASURES ANNOUNCED WILL UNDOUBTELDTY HAVE SOME SALUTORY EFFECT, FROM WHAT WE CAN DETERMINE THUS FAR, THEY ARE NOT LIKELY TO HAVE EITHER THE IMPACT BORWN EXPECTED, NOR COME NEAR THE MARK IN SAVING THE SITUATION. IT IS VERY LIKELY, THEREFORE, THAT SOME TIME AFTER THE FEBRUARY 5 ELECTION ANOTHER PACKAGE WILL BE REQUIRED WHICH COULD CONTAIN A TOTAL BAN ON NON-ESSENTIAL TRAVEL, FURTHER IMPORT RESTRICTIONS, A STRINGENT WAGE/PRICE FREEZE, AND PERHAPS EVEN DEVALUTATION, ALL OF WHICH, IF ANNOUNCED NOW, WOULD HAVE A SERIOUS EFFECT ON THE PNP'S ELECTION CHANCES. THERE ARE SOME BUSINESSMEN WHO FEEL THAT THE PM DID NOT GO FAR ENOUGH AND WHO ARE FULLY PREPARED FOR MORE TO COME.

7. THE PM'S "SWEETENERS" IN THE PM'S SPEECH ARE EXACTLY THAT AND HAVE A SOMWHAT HOLLOW RING IN VIEW OF THE BROKEN PROMISES OF THE PAST TWO YEARS. IT IS GOING TO TAKE MORE THAN RHETORIC TO MOVE THE AGRICULTURAL SECTOR. HEWITT

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